



U.S.-KOREA TRADE AGREEMENT

Nebraska Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Nebraska agricultural products, including beef, corn, soybeans, and pork. Nebraska's agricultural exports to all countries, estimated at \$4.8 billion in 2009, supported about 38,400 jobs, both on and off the farm. These export sales make an important contribution to Nebraska's farm economy, which had total cash receipts of \$15.3 billion in 2009.

Cattle and Beef. The cattle and calf industry accounted for \$6.2 billion in cash receipts in 2009, or 41 percent of the state's agricultural total. The state is also the nation's second largest exporter of live animals and meat, \$1 billion in 2009. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Grains. Corn is the second largest source of state farm cash receipts with \$4.9 billion in 2009, and the state is the fourth largest exporter of feed grains in the nation \$1.4 billion in 2009. Under the KORUS agreement:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.
- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or the 1-percent tariff under its autonomous TRQ.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Soybeans and Products. As the nation's fifth largest exporter of soybeans and products at \$1.4 billion, Nebraska's soybean producers will benefit from the agreement. The KORUS agreement will provide many benefits to the soybean industry.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Hogs and Pork. Hogs and pork are the state's fourth largest source of farm cash receipts at \$656 million in 2009. The hog and pork industry will benefit from this agreement. Under the KORUS agreement:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Nebraska to World
Cattle and Beef	\$6,703,000,000	\$960,000,000
Feed Grains	\$11,979,000,000	\$1,360,000,000
Soybeans and Products	\$17,709,000,000	\$1,368,000,000
Hogs and Pork	\$2,204,000,000	\$101,000,000
Agricultural Total	\$96,632,000,000	\$4,826,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.